

Message Text

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ACTION IO-13

INFO OCT-01 AF-10 EUR-12 ISO-00 SP-02 L-03 CIAE-00
INR-07 NSAE-00 ARA-06 EA-07 NEA-10 OIC-02 TRSE-00
OMB-01 EB-08 /082 W
-----262117Z 130353 /63

R 261754Z APR 77

FM USMISSION GENEVA
TO SECSTATE WASHDC 6846
INFO AMEMBASSY LONDON
AMCONSUL MONTREAL
AMEMBASSY NAIROBI
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY VIENNA

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E.O.11652: NA

TAGS: ETEL, ITU

SUBJECT: US AGREEMENTS WITH UN SYSTEM ORGANIZATIONS RE RE-
IMBURSEMENT OF US INCOME TAX

REF: (A) STATE 079279; (B) GENEVA 2608; (C) STATE 061985
(D) GENEVA 1890

1. SUMMARU. RECENT CHANGES IN US TAX LAWS HAVE INCREASED
THE AMOUNTS OF MONEY THAT GET "RECYCLED" THROUGH THE
VARIOUS TAX REIMBURSEMENT MECHANISMS FOR AMERICAN EMPLOYEES
OF UN SPECIALIZED AGENCIES. TTIN THESE
AGENCIES ARE CONSIDERING THIS PROBLEM INFORMALLY FOR THE MOMENT,
AND WILL MEET IN JUNE TO DISCUSS IT FURTHER. THE US
COULD BE SUBJECT TO CRITICISM ON SOME ASPECTS OF THESE
ARRANGEMENTS, AND WE SHOULD ADOPT A UNIFORM POSITION ON
THE ISSUE NOW AND COMMUNICATE IT TO THE GCIES'
ADMINISTRATIVE HEADS BEFORE THEIR JUNE MEETING.

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END SUMMARY.

2. AS THE DEPARTMENT IS AWARE, VARIOUS TAX REIMBURSE-
MENT MECHANISMS HAVE BEEN DEVELOPED WITH UN SPECIALIZED
AGENCIES SO THAT AMERICAN EMPLOYEES ARE NOT DISADVANT-
AGED IN RELATION TO OTHER NATIONALITIES BECAUSE OF US
TAX LAWS. BECAUSE OF THE FACT THAT THE US IN STH ONLY

COUNTRY OTHER THAN CANADA (AND THEY ONLY IN SOME CASES) WHICH TAXES ITS NATIONALS WHEN THEY WORK AS INTERNATIONAL CIVIL SERVANTS, THE UNIQUENESS OF THESE TAX REIMBURSEMENT ARRANGEMENTS SOMETIMES CAUSES PROBLEMS (REFTEL B). RECENT CHANGES IN US TAX LAW HAVE DRASTICALLY INCREASED THE AMOUNTS OF MONEY WHICH ARE "RECYCLED" THROUGH THESE ARRANGEMENTS, AND THE ATTENTION OF SECRETARIATS AND POTENTIALLY OTHER MEMBER STATES CAN BE DRAWN TO THIS SUBJECT. IN ADDITION, ANY "INFORMAL GUIDELINES" GIVEN AMERICAN EMPLOYEES BY THE VARIOUS SECRETARIATS ON HOW TO FILL OUT THEIR TAX RETURNS HAVE NOW ASSUMED A GREATER IMPORTANCE, ESPECIALLY SINCE THIS GUIDANCE SEEMS TO VARY FROM AGENCY TO AGENCY.

3. IT SEEMS TO US THAT WE ARE VULNERABLE TO CRITICISM ON THIS ISSUE. IT IS UNDOUBTABLY AN ADMINISTRATIVE BURDEN ON ORGANIZATIONS TO PROCESS THESE REIMBURSEMENTS. EXCEPT FOR CANADIANS IN A FEW INSTANCES, THIS IS DONE ONLY FOR AMERICANS, AND THE ADMINISTRATIVE HEAD OF ONE LARGE AGENCY IN GENEVA ESTIMATES THAT IT COSTS HIS AGENCY ONE FULL PROFESSIONAL MAN-YEAR TO DO IT (THE ILO FIGURE FOR THE AVERAGE COST OF A PROFESSIONAL MAN-YEAR IN GENEVA AT PRESENT IS ABOUT \$46,000).

4. IN ADDITION, THE AGREEMENTS WE HAVE WITH SEVERAL OF THE AGENCIES IN GENEVA STATE THAT THEY DO NOT APPLY TO PROJECTS WHICH ARE FINANCED OUT OF VOLUNTARY FUNDS. SINCE ANY AMERICANS WHO WORK ON VOLUNTARILY FUNDED PROJECTS IN THESE AGENCIES DO GET REIMBURSED, THIS LIMITED OFFICIAL USE

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MEANS THAT THE STATES CONTRIBUTING THE VOLUNTARY FUNDS ARE, IN EFFECT, PAYING THE AMERICAN EMPLOYEES' TAXES.

5. WE ARE TOLD THAT THE CCAQ DISCUSSED THIS ISSUE DURING ITS MARCH MEETING, AND THE ADMINISTRATIVE HEADS OF THE VARIOUS AGENCIES DECIDED THAT, FOR THE MOMENT, THEY WOULD NOT DISCUSS THE SUBJECT FURTHER IN THE CCAQ CONTEXT. THEY AGREED TO MEET AGAIN INFORMALLY LATER, PROBABLY IN JUNE, AFTER HAVING GATHERED MORE INFORMATION, TO DECIDE IF AND HOW THEY SHOULD PROCEED. THEY OBVIOUSLY UNDERSTAND THE SENSITIVITY OF THE SUBJECT AND PREFER TO KEEP IT IN AN INFORMAL CONTEXT. IN THE MEANTIME, WE UNDERSTAND THE CCAQ STAFF IS GATHERING INFORMATION THROUGH A QUESTIONNAIRE WHICH WILL BE SENT TO THE SPECIALIZED AGENCIES FOR THEIR RESPONSES.

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6. THIS IS CLEARLY NOT AN ISSUE WHICH WE WANT TO SEE
RAISED IN GOVERNING BODIES AND/OR ASSEMBLIES, ESPECIALLY
SINCE MOST OF THESE ARRANGEMENTS WERE AGREED TO PRIVATELY
BETWEEN OURSELVES AND THE VARIOUS EXECUTIVE HEADS, WITH-
OUT THE APPROVAL OF THOSE ORGANIZATIONS' GOVERNING
BODIES. THEREFORE, TO AVOID ANY PROBLEMS WHICH MIGHT
ARISE IF THIS ISSUE WERE AIRED IN PUBLIC, WE RECOMMEND
THAT THE DEPARTMENT ADOPT NOW A UNIFORM POSITION ON THE
QUESTION OF THE LARGE SUMS OF MONEY WHICH ARE NOW BEING
"RECYCLED" THROUGH THESE MECHANISMS, THE UNIFORM IMPLE-
MENTATION OF THE VARIOUS REIMBURSEMENT MECHANISMS THROUGH-
OUT THE UN SYSTEM, AND THE "GUIDELINES" WHICH ARE GIVEN
TO AMERICAN EMPLOYEES OF THESE AGENCIES. THIS SHOULD BE
COMMUNICATED TO THE ADMINISTRATIVE HEADS OF THE AGENCIES
BEFORE THEIR INFORMAL JUNE MEETING. FURTHERMORE, IT
SEEMS TO US THAT THE VARIOUS AGREEMENTS SHOULD BE MODIFIED
IN SOME WAY IN ORDER TO TAKE CARE OF THE PROBLEM OF
REIMBURSEMENT OF TAXES FOR AMERICANS WHO ARE WORKING ON
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VOLUNTARILY FUNDED PROJECTS.

7. THIS APPEARS TO US TO BE AN ISSUE WE SHOULD MANAGE

ADROITLY IN OUR RELATIONS WITH THE UN AND SPECIALIZED
AGENCIES. IN THE LONG TERM, OF COURSE, IT WOULD BE VERY
DESIRABLE IF THIS PROBLEM AREA COULD BE ACCOMMODATED
IN A REFORM OF IRS PROVISIONS SO AS NOT TO TAX US
CITIZENS WORKING AS INTERNATIONAL CIVIL SERVANTS (WHICH
IS THE SOLUTION ADOPTED BY ALL OTHER COUNTRIES EXCEPT
THE US AND CANADA). SORENSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TELECOMMUNICATION, PERSONNEL, TAX RELIEF, TAX AGREEMENTS, INTERNATIONAL ORGANIZATIONS, INCOME TAXES
Control Number: n/a
Copy: SINGLE
Sent Date: 26-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977GENEVA03104
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770145-0781
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770420/aaaaaqlp.tel
Line Count: 177
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Office: ACTION IO
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 79279, 77 GENEVA 2608, 77 STATE 61985, 77 GENEVA 1890
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2697184
Secure: OPEN
Status: NATIVE
Subject: US AGREEMENTS WITH UN SYSTEM ORGANIZATIONS RE RE-IMBURSEMENT OF US INCOME TAX
TAGS: ETEL, EGEN, US, ITU
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/41a11c9f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009